

**COUNTY OF LOS ANGELES
LOCAL TRANSPORTATION FUND**

**Financial Statements and
Supplementary Schedules
For the Year Ended June 30, 2012**

(With Independent Auditor's Report Thereon)



Certified Public Accountants.

**COUNTY OF LOS ANGELES
LOCAL TRANSPORTATION FUND**

Table of Contents

	<i>Page</i>
Independent Auditor's Report.....	1
Management's Discussion and Analysis (Unaudited)	3
Financial Statements:	
Statement of Assets and Liabilities	5
Statement of Changes in Assets and Liabilities.....	6
Notes to Financial Statements.....	7
Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	11
 Supplementary Information	
I – Supplementary Schedule of Activities.....	13
II – Supplementary Schedule of Disbursements	14

INDEPENDENT AUDITOR'S REPORT

To the Honorable Board of Supervisors
County of Los Angeles, California

We have audited the accompanying financial statements of the Local Transportation Fund, an agency fund of the County of Los Angeles, California (County), as of and for the year ended June 30, 2012, as listed in the table of contents. These financial statements are the responsibility of the County's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control over the Local Transportation Fund's financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note 2, the accompanying financial statements are intended to present the financial position and the changes in financial position of the Local Transportation Fund. They do not purport to, and do not, present fairly the financial position of the County as of June 30, 2012, and the changes in its financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Local Transportation Fund of the County, as of June 30, 2012, and the changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 6, 2013, on our consideration of the County's internal control over financial reporting related to the Local Transportation Fund and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 4 be presented to supplement the financial statements. Such information, although not a part of the financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the financial statements, and other knowledge we obtained during our audit of the financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary information on page 13 through page 15 is presented for purposes of additional analysis and is not a required part of the basic financial statements. The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Macias Jini & O'Connell LLP

Los Angeles, California
March 6, 2013

COUNTY OF LOS ANGELES
Local Transportation Fund
Management's Discussion and Analysis (Unaudited)
For the Year Ended June 30, 2012

Management's discussion and analysis of the County of Los Angeles, California, Local Transportation Fund provides a narrative overview of the Local Transportation Fund's financial activities for the fiscal year ended June 30, 2012. We encourage readers to consider this information in conjunction with the accompanying basic financial statements.

Financial Highlights

- During the current year, the Local Transportation Fund's collections held in trust increased by \$55.8 million to \$312.8 million.
- Sales tax revenue of \$326.8 million was received from the State of California and \$2.4 million was earned on investments.
- Transportation subsidies totaling \$264.8 million were paid to 65 different cities and jurisdictions and \$8.5 million was distributed for administrative and planning purposes.
- The Local Transportation Fund continues to have no short or long-term debt.

Financial Statement Overview

The Local Transportation Fund is accounted for as an agency fund, a fiduciary type fund of the County of Los Angeles (the County). In its trustee capacity, the County holds the Local Transportation Fund assets in connection with its fiduciary responsibilities to other local governments, in this case, the Los Angeles County Metropolitan Transportation Authority. Agency funds do not measure the results of operations, but assets and liabilities are recorded on an accrual basis, and agency fund assets equal liabilities. Accordingly, the financial statements present only the assets and liabilities and the changes in assets and liabilities of the Local Transportation Fund.

In addition to the financial statements, this report contains notes to the financial statements, which provide additional information that is essential for a full understanding of the data provided in the financial statements. Supplementary schedules of activities and disbursements are also presented for additional analysis and are not a required part of the financial statements.

Financial Analysis

		Assets and Liabilities (In thousands)	
		June 30,	
		<u>2012</u>	<u>2011</u>
Pooled cash and investments	\$	273,230	\$ 220,473
Sales tax receivable		39,353	36,118
Interest receivable		246	410
Total Assets	\$	<u>312,829</u>	<u>\$ 257,001</u>
Collections Held in Trust	\$	<u>312,829</u>	<u>\$ 257,001</u>

COUNTY OF LOS ANGELES
Local Transportation Fund
Management's Discussion and Analysis (Unaudited)
For the Year Ended June 30, 2012

Total assets of the Local Transportation Fund increased by 21.7% from the prior year to \$312.8 million, due to a \$52.8 million increase in pooled cash and investments, a \$3.2 million increase in sales taxes receivable, offset by a \$0.2 million decrease in interest receivable. Pooled cash and investments increased as a result of increased sales tax revenue from the prior year.

Contacting the Local Transportation Fund's Financial Management

This financial report is designed to provide citizens and other interested parties with a general overview of the Local Transportation Fund's finances and to demonstrate accountability for the money received. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the County of Los Angeles, Department of Auditor-Controller, 500 West Temple Street, Los Angeles, California, 90012.

COUNTY OF LOS ANGELES
Local Transportation Fund
Statement of Assets and Liabilities
June 30, 2012

Assets

Pooled cash and investments	\$ 273,229,737
Sales tax receivable	39,353,587
Interest receivable	<u>246,020</u>
Total assets	<u><u>\$ 312,829,344</u></u>

Liabilities

Collections held in trust	<u><u>\$ 312,829,344</u></u>
---------------------------	------------------------------

See accompanying notes to financial statements.

COUNTY OF LOS ANGELES
Local Transportation Fund
Statement of Changes in Assets and Liabilities
For the Year Ended June 30, 2012

Assets	<u>July 1, 2011</u>	<u>Additions</u>	<u>Deductions</u>	<u>June 30, 2012</u>
Pooled cash and investments	\$ 220,473,025	\$ 326,081,899	\$ 273,325,187	\$ 273,229,737
Sales tax receivable	36,118,323	39,353,586	36,118,322	39,353,587
Interest receivable	409,963	246,020	409,963	246,020
Total assets	<u>\$ 257,001,311</u>	<u>\$ 365,681,505</u>	<u>\$ 309,853,472</u>	<u>\$ 312,829,344</u>
Liabilities				
Collections held in trust	<u>\$ 257,001,311</u>	<u>\$ 365,681,505</u>	<u>\$ 309,853,472</u>	<u>\$ 312,829,344</u>

See accompanying notes to financial statements.

COUNTY OF LOS ANGELES
Local Transportation Fund
Notes to Financial Statements
For the Year Ended June 30, 2012

(1) General

The Local Transportation Fund, an agency fund of the County of Los Angeles (the County), was created in accordance with the provisions of the Transportation Development Act (the Act) as administered by the Business, Transportation, and Housing Agency Department of Transportation, Division of Mass Transportation of the State of California. In accordance with provisions of the Act, sales tax revenues to the Local Transportation Fund are derived from $\frac{1}{4}\%$ of the $8\frac{3}{4}\%$ per dollar of retail sales tax collected in the County by the State Board of Equalization for the period July 1, 2011 through June 30, 2012. Disbursements from the Local Transportation Fund are made by the County upon receipt of written allocation and disbursement instructions issued in accordance with the Act's provisions by the County's various transportation agencies, the Southern California Association of Governments, and the Los Angeles County Metropolitan Transportation Authority.

(2) Summary of Significant Accounting Policies

(a) *Basis of Accounting*

The Local Transportation Fund is accounted for as an agency fund of the County of Los Angeles, a fiduciary type fund. In this trustee capacity, the County holds Local Transportation Fund assets in connection with its fiduciary responsibilities to other local governments. Under this basis of accounting, agency fund assets equal liabilities. Reimbursements of funds disbursed to claimants are recognized when the related fund liability is incurred.

(b) *Measurement Focus*

Fiduciary funds are accounted for using the economic resources measurement focus and the accrual basis of accounting. Agency funds do not measure results of operations, but assets and liabilities should be measured on the accrual basis. As such, assets and liabilities are recorded when incurred, regardless of the timing of cash flows.

(c) *Fiduciary Fund Financial Statements*

The operations of the Local Transportation Fund are accounted for as an agency fund of the County. The accompanying financial statements present only the assets and liabilities, and changes in assets and liabilities of the Local Transportation Fund and are not intended to present fairly the financial position and results of operations of the County as a whole in conformity with U.S. generally accepted accounting principles.

(d) *Use of Estimates*

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires that management make estimates and assumptions that may affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the reporting period. Actual results could differ from those estimates.

COUNTY OF LOS ANGELES
Local Transportation Fund
Notes to Financial Statements (Continued)
For the Year Ended June 30, 2012

(3) Pooled Cash and Investments

Cash balances of the Local Transportation Fund are pooled with other County funds and invested by the County Treasurer. Local Transportation Fund pooled cash and investments are subject to withdrawal from the County Treasury pool upon demand. The Local Transportation Fund's share of the County Treasury total pooled cash and investments is included in the accompanying statement of assets and liabilities under "Pooled Cash and Investments," which totaled \$273,229,737 at June 30, 2012 and represents approximately 1.23% of the total County Treasury pool. The County Treasury pool is not rated as of June 30, 2012. The weighted average to maturity of the County Treasury pool as of June 30, 2012 is 1.82 years. The County issues a publicly available financial report that includes complete disclosures related to the County Treasury pool. The report may be obtained from the County, 500 West Temple Street, Los Angeles, CA 90012.

Investments

Investments held by the County Treasurer are stated at fair value, except for certain non-negotiable securities that are reported at cost because they are not transferable and have terms that are not affected by changes in market interest rates such as repurchase agreements, mortgage trust deeds, Los Angeles County securities and guaranteed investment contracts. The fair value of pooled investments is determined and provided by the custodian bank based on quoted market prices at month-end. The method used to determine the value of participants' equity withdrawn is based on the book value, which is amortized cost, of the participants' percentage participation at the date of such withdrawals.

State statutes authorize the County to invest pooled funds in certain types of investments including obligations of the United States Treasury, federal, State and local agencies, municipalities, asset-backed securities, mortgaged-backed securities, bankers' acceptances, commercial paper rated A-1 by Standard & Poor's Corporation or P-1 by Moody's Commercial Paper Record, negotiable certificates of deposits, medium-term notes, corporate notes, repurchase agreements, reverse repurchase agreements, floating rate notes, time deposits, shares of beneficial interest of a Joint Powers Authority that invests in authorized securities, shares of beneficial interest issued by diversified management companies known as money market mutual funds (MMF) registered with the Securities and Exchange Commission, State and local agency investment funds, mortgage pass-through securities, and guaranteed investment contracts. The investments are managed by the County Treasurer who reports on a monthly basis to the Board of Supervisors. In addition, Treasury investment activity is subject to an annual investment policy review, compliance oversight, quarterly financial reviews, and annual financial reporting.

COUNTY OF LOS ANGELES
Local Transportation Fund
Notes to Financial Statements (Continued)
For the Year Ended June 30, 2012

(3) Pooled Cash and Investments (Continued)

As permitted by the Government Code, the County Treasurer developed, and the Board adopted, an Investment Policy that further defines and restricts the limits within which the County Treasurer may invest. The table below identifies the investment types that are authorized by the County, along with the related concentration of credit limits:

<u>Authorized Investment Type</u>	<u>Maximum Maturity</u>	<u>Maximum Percentage of Portfolio</u>	<u>Maximum Investment In One Issuer</u>
U.S. Treasury Notes, Bills and Bonds	None	None	None
U.S. Agency Securities	None	None	None
Local Agency Obligations	5 years	10%*	10%*
Bankers' Acceptances	180 days	40%	\$500 million*
Commercial Paper	270 days	40%	\$750 million*
Certificates of Deposit	3 years*	30%	\$500 million*
Corporate Medium-Term Notes	3 years*	30%	\$500 million*
Repurchase Agreements	30 days*	\$1 billion*	\$500 million*
Reverse Repurchase Agreements	92 days	\$500 million*	\$250 million*
Securities Lending Agreements	92 days	20%*	None
Money Market Mutual Funds	NA	15%*	10%
State of California's Local Agency Fund (LAIF)	N/A	\$50 million**	None
Asset-Backed Securities	5 years	20%	\$500 million*

*Represents restriction in which the County's Investment Policy is more restrictive than the California Government Code.

**The maximum percentage of portfolio is based on the investment limit established by LAIF for each account, not by County's Investment Policy.

(4) Collections Held in Trust

Collections held in trust can be separated to represent amounts which have been allocated to the various eligible cities and transportation agencies in accordance with the allocation and disbursement instructions, but which have not yet been claimed by the entity or disbursed by the Local Transportation Fund. Amounts reserved for disbursements to eligible cities and local agencies as of June 30, 2012 are described below:

Reserved for transportation projects	\$ 253,334,442
Unreserved – designated for transportation projects	59,494,902
Total collections held in trust	<u>\$ 312,829,344</u>

This page left blank intentionally.



**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

The Honorable Board of Supervisors
County of Los Angeles, California

We have audited the financial statements of the Local Transportation Fund, an agency fund of the County of Los Angeles, California (County) as of and for the year ended June 30, 2012, and have issued our report thereon dated March 6, 2013. Our report included an explanatory paragraph describing the financial statements present only the financial position and changes in the financial position of the Local Transportation Fund. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

Management of the County is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the County's internal control over financial reporting as it relates to the Local Transportation Fund as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Local Transportation Fund's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, including applicable provisions of the Public Utilities Code (Sections 99230-99251), noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion.

The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the Board of Supervisors, County management, the State Controller's Office, the Los Angeles County Metropolitan Transportation Authority and others within the entity, and is not intended to be and should not be used by anyone other than these specified parties.

Macias Fini & O'Connell LLP

Los Angeles, California
March 6, 2013

COUNTY OF LOS ANGELES
Local Transportation Fund
Supplementary Schedule of Activities
For the Year Ended June 30, 2012

Schedule I

Additions:

Sales tax revenue	\$ 326,792,293
Interest	<u>2,360,927</u>
Total additions	<u>329,153,220</u>

Deductions:

Transportation subsidies	264,825,187
Administrative and planning	<u>8,500,000</u>
Total deductions	<u>273,325,187</u>
Excess of additions over deductions	<u><u>\$ 55,828,033</u></u>

COUNTY OF LOS ANGELES
Local Transportation Fund
Supplementary Schedule of Disbursements
For the Year Ended June 30, 2012

Schedule II

Claimant	Administrative Planning	Article 3	Article 4		Article 8A	Total
			Unrestricted	Reserves		
Agoura Hills	\$ -	\$ 11,285	\$ -	\$ -	\$ -	\$ 11,285
Alhambra	-	(16,606) (3)	-	-	-	(16,606)
Arcadia Transit	-	39,000	218,217	-	-	257,217
Avalon	-	-	-	-	101,312	101,312
Azusa	-	42,397	-	-	-	42,397
Baldwin Park	-	20,000	-	-	-	20,000
Bell Gardens	-	22,655	-	-	-	22,655
Bellflower	-	5,316	-	-	-	5,316
Bradbury	-	5,000	-	-	-	5,000
Burbank	-	45,398	-	-	-	45,398
Claremont	-	18,132	125,451	-	-	143,583
Commerce	-	6,564	198,500	137,948	-	343,012
Covina	-	23,916	-	-	-	23,916
Cudahy	-	67,001	-	-	-	67,001
Culver City, City of	-	19,631	-	-	-	19,631
Culver City Muni Bus Lines	-	- (7)	3,751,394	-	-	3,751,394
Diamond Bar	-	50,000	-	-	-	50,000
Downey	-	999	-	-	-	999
Duarte	-	11,159	-	-	-	11,159
Foothill Transit	-	-	17,433,551	104,073	-	17,537,624
Gardena	-	24,858	3,740,267	86,051	-	3,851,176
Glendale	-	392,058	-	-	-	392,058
Hawthorne	-	36,000	-	-	-	36,000
Hidden Hills	-	15,165	-	-	-	15,165
La Canada Flintridge	-	17,753	-	-	-	17,753
La Mirada	-	24,105	90,142	-	-	114,247
La Puente	-	32,501	-	-	-	32,501
Lakewood	-	40,292	-	-	-	40,292
Lancaster	-	15,000	-	-	4,152,543	4,167,543
Long Beach Pub Trans	-	330,025	17,563,692	-	-	17,893,717
L. A. City Treasurer	-	2,766,775	-	-	-	2,766,775
LACMTA	6,175,875	-	135,381,525	23,878,008	-	165,435,408
LACO - ACCTG	55,000	-	-	-	-	55,000
LOMITA	-	(22,357) (4)	-	-	-	(22,357)
Lynwood	-	103,172	-	-	-	103,172
Malibu	-	(16,648) (1)	-	-	-	(16,648)
Manhattan Beach	-	73,843	-	-	-	73,843
Montebello	-	58,103	4,572,364	-	-	4,630,467
Monterey Park	-	60,800	-	-	-	60,800
Monrovia	-	11,776	-	-	-	11,776
Norwalk	-	71,160	2,437,335	-	-	2,508,495
Palmdale	-	127,553 (2)	-	-	4,344,606	4,472,159
Palos Verdes Estates	-	35,288	-	-	-	35,288
Paramount	-	27,944	-	-	-	27,944
Pasadena	-	43,603	-	-	-	43,603
Pico Rivera	-	89,543	-	-	-	89,543
Public Works	-	1,100,000	-	-	3,872,063	4,972,063
Redondo Beach	-	-	509,985	-	-	509,985
Rolling Hills Estates	-	7,320	-	-	-	7,320
Rosemead	-	47,932	-	-	-	47,932
San Dimas	-	47,803	-	-	-	47,803
San Marino	-	6,959	-	-	-	6,959

COUNTY OF LOS ANGELES
Local Transportation Fund
Supplementary Schedule of Disbursements (Continued)
For the Year Ended June 30, 2012

Schedule II-2

Claimant	Administrative Planning	Article 3	Article 4		Article 8A	Total
			Unrestricted	Reserves		
San Gabriel	\$ -	\$ 21,371	\$ -	\$ -	\$ -	\$ 21,371
Santa Clarita	-	61,756 (5)	-	-	4,364,255	4,426,011
Santa Monica	-	45,499	-	-	-	45,499
Santa Monica Bus Lines	-	-	14,768,621	11,748,188	-	26,516,809
SCAG	2,269,125	-	-	-	-	2,269,125
South El Monte	-	(7,775) (6)	-	-	-	(7,775)
South Pasadena	-	39,659	-	-	-	39,659
Temple City	-	26,092	-	-	-	26,092
Torrance	-	209,817	4,644,999	-	-	4,854,816
West Covina	-	186,376	-	-	-	186,376
West Hollywood	-	44,713	-	-	-	44,713
Westlake Village	-	5,000	-	-	-	5,000
Whittier	-	27,416	-	-	-	27,416
	\$ 8,500,000	\$ 6,600,097	\$ 205,436,043	\$ 35,954,268	\$ 16,834,779	\$ 273,325,187

- (1) The City of Malibu returned funds of \$16,648 on August 29, 2011. This amount was credited to the disbursements in the current fiscal year.
- (2) The City of Palmdale returned funds of \$42,706 on August 29, 2011. This amount was credited to the disbursements in the current fiscal year.
- (3) The City of Alhambra returned funds of \$28,063 on December 8, 2011. This amount was credited to the disbursements in the current fiscal year.
- (4) The City of Lomita returned funds of \$22,357 on December 8, 2011. This amount was credited to the disbursements in the current fiscal year.
- (5) The City of Santa Clarita returned funds of \$951,019 on December 12, 2011. This amount was credited to the disbursements in the current fiscal year.
- (6) The City of South El Monte returned funds of \$7,775 on March 22, 2012. This amount was credited to the disbursements in the current fiscal year.
- (7) Culver City Municipal Bus Lines returned funds of \$270,000 on August 29, 2011. This amount was credited to the disbursements in the current fiscal year.